

MEMO to MAILERS

FORUM FOCUSES on



CHANGE

"The question is whether or not the Postal Service can survive without the freedom to compete."

Paul N. Carlin
Postmaster General (1985)

The Postmasters General, from left to right: William J. Henderson, Benjamin F. Bailar, Paul N. Carlin, Albert V. Casey, and Marvin T. Runyon.

It was a whirlwind of activity for those who attended the spring 1999 National Postal Forum in San Antonio — much like the winds of change swirling around the Postal Service and the mailing industry.

Change was the topic at the Forum's historic panel discussion with four former Postmasters General. The panelists challenged mailing industry leaders to remain actively involved in the debate about the future of the Postal Service as it heads into the 21st century.

Joining Postmaster General William J. Henderson, who led the discussion, were Postmasters General Marvin T. Runyon (1992–98); Albert V. Casey (1986); Paul N. Carlin (1985) and Benjamin F. Bailar (1975–78).

The panelists addressed a variety of topics

continued on page 2

WHAT'S INSIDE:

- 2** PMG SUPPORTS H.R. 22
- 3** FORUM AWARD WINNERS
- 4** MERLIN IS COMING
- 5** SAY IT IN PRINT
- 6** POSTAL BRIEFS
- 8** JAPANESE CREDIT CARD ACCEPTED

PC POSTAGE enters FINAL TESTING

The Postal Service has approved E-Stamp Corporation and Stamps.com Internet postage for the final stages of beta testing — the last step before PC Postage products become commercially available to the public.

Roy Gordon, program director for the Information Based Indicia Program (IBIP), says, "The U.S. Postal Service is preparing for the national launch of its Information Based Indicia Program and is looking forward to bringing postage to people's homes and businesses through Internet postage solutions such as E-Stamp and Stamps.com."

IBIP introduced PC Postage in March

1998 to give customers the ability to print postage from their desktop computers. PC Postage products create the IBI — a two-dimensional (2D) barcode containing the postage amount, a unique identifier and mail processing information about the mailpiece. The IBI also has the same readable information as the traditional postage meter indicia.

The IBI can be printed directly on an envelope in the upper right-hand corner or on a label for placement on an envelope or package, to indicate postage pay-

continued on page 4

"In essence, PC Postage products bring the post office to postal customers."

Roy Gordon
Program Director,
Information Based
Indicia Program



FORUM FOCUSES ON CHANGE

continued from page 1

in the first-ever public discussion of the future of the Postal Service by four of its former chief executive officers.

Their dialogue ranged from the historic forces that brought about the Postal Reorganization Act in 1970 to the current global marketplace that is requiring the Postal Service to face the realities of increased competition, re-regulation and advances in technology.

In summarizing his opinion of the Postal Service's future, Carlin made a direct appeal to the audience. "You (referring to Henderson) have stepped forward and laid out a challenge: 'There's something happening out there, let's do something about it.'" Carlin added that he was disappointed to hear the "deafening silence" in response to Henderson's challenge.

"The time has come," he continued, "for all of the customers and all of the members of the management team to join in the debate to solve the problem."

ON THE POSTAL MONOPOLY

All of the former Postmasters General agreed that the monopoly, as Runyon said, "is just going to disappear and it's hap-

pening sooner than I thought it would." As Casey said, "I don't think we have any choice. I think it's already occurring." All believe that the question is "not if, but when."

While they agreed about the inevitable "whirlwind of change" occurring globally, they all strongly reiterated the value of universal service for America. As Carlin said, "I think that if the change — the end of the monopoly — were made, the Postal Service should make an unequivocal commitment to retain universal service by providing delivery to every home and business throughout the United States."

ON COMPETITION

All of the Postmasters General believe that the freedom to compete is a challenge that the Postal Service is more than ready to tackle. "The Postal Service will benefit immensely from competition," said Bailar. "The question," Carlin said, "is whether or not the Postal Service can survive without the freedom to compete." Runyon countered, "We can stand up to competition. We can face competition, and we can beat competition."

ON HOW TO ACCOMPLISH CHANGE

All of the Postmasters General agreed, "It will be very difficult to accomplish the needed change." As Bailar commented, "I would say to Congress, you can't possibly anticipate all the things that are going to hatch in the next 10 or 20 years. So you have to be flexible. If Congress is going to consider changes in the Postal Reorganization Act, flexibility had better be the order of the day, because you are going to have to cope with things you can't anticipate." Casey commented, "You must have the popular support of the public." Runyon said, "Some of our customers like it the way it is, some of our customers would like to see changes made that we wouldn't care for at all. Somehow we've got to get it all together and move forward."

All agreed that it was necessary to keep improving service to implement needed changes. Carlin said, "I think you have to reach out and find out the things customers want and find a way to respond." He also noted that automation and other new technologies are necessary to reduce costs and improve efficiency. ■

PMG supports HR 22

Postmaster General William J. Henderson renewed his support for Congressman John McHugh's (R-NY) Postal Modernization Act of 1999 (H.R. 22) at the National Postal Forum.

"All along, I have consistently said that postal management was committed to working with Congressman McHugh to bring about progressive change. I want you to know postal management wholeheartedly supports H.R. 22," he said at the opening session.

"Our principal goal," said Henderson, "has been to gain pricing flexibility so we can serve you better. H.R. 22 will do that. It also protects and ensures universal service for the American people."

Henderson credited McHugh, who is chairman of the Government Reform Subcommittee on the Postal Service, for tackling an issue as large and controversial as postal reform.

"Without the chairman's flexibility and vision, postal reform would still be something the mailing industry would discuss at trade shows like this," continued Henderson.

Since H.R. 22 was reintroduced in the new Congress last January, postal management has been working with the subcommittee toward designing progressive language to move the mailing industry forward, while providing the Postal Service with competitive pricing and product freedoms. ■

CONGRATULATIONS FORUM AWARD WINNERS!



American Express President and Chief Operating Officer Kenneth I. Chenault sent a videotaped message accepting the Social Awareness Award for his company's promotion of the Breast Cancer Research Stamp.

SOCIAL AWARENESS AWARD

American Express

Kenneth I. Chenault, President and CEO

PARTNERSHIP FOR PROGRESS AWARD

USAA
Disabled American Veterans
ADP Investor Communications
Services
Harte-Hanks, Inc.

General Robert T. Herres, USAF (Ret.), CEO
Richard E. Patterson, Executive Officer
Robert Kalenka, Vice President of
Operations
Larry Franklin, CEO

BUSINESS PARTNER AWARD

Excalibur Direct Mail/Marketing
Services
The FLYER
Houston Chronicle

J.D. Wilson, Founder and President
Richard D. Mandt, CEO
Gary Randazzo, Sr. Vice President,
Sales & Marketing

**Congratulations to all the mailing professionals who
were recognized this year.**

MERLIN

brings its magic to

MAIL

ACCEPTANCE

“It’s another way we’re making it easier for our customers to do business with us by automating mail acceptance functions.”

John Sadler
Manager
Business Mail Acceptance

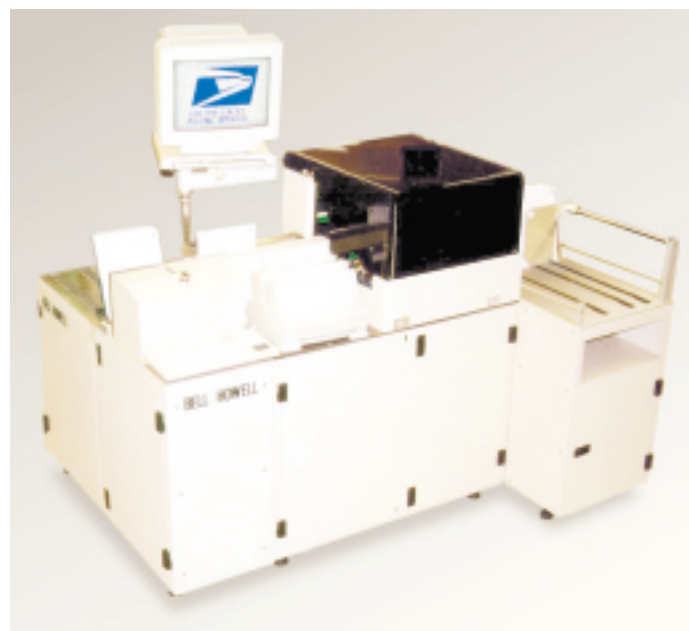
Business Mail Entry will be receiving a little automation “magic” next year in the form of MERLIN, the Mailing Evaluation, Readability Lookup INstrument.

MERLIN will offer mailers consistency, objectivity and reliability in the verification and acceptance of bulk rate mailings, and it will make the acceptance process much more efficient.

“It’s another way we’re making it easier for our customers to do business with us by automating mail acceptance functions,” says John Sadler, manager, Business Mail Acceptance.

MERLIN can simultaneously handle processing functions that have been performed manually. It will verify:

- Barcode readability
- Address accuracy



The Mailing Evaluation, Readability Lookup INstrument (MERLIN) will automate mail acceptance in BMEUs, making verification consistent and reliable.

- Mailpiece characteristics
- Presort makeup
- Piece count
- Tray label accuracy
- Shortpaid mail
- Value added refund (VAR)/combined mailings

The system can identify individual mailpieces and mailings with unique IDs. Verification forms are automatically generated. Customers’ mailing information can be stored electronically for later retrieval of historical data.

“MERLIN provides an opportunity to identify errors quickly, correct them and get the mail back into the system faster,” says

Paulette Kelly, customer service support analyst, Business Mail Acceptance.

The machine will check the barcode quality of both letters and flats and verify them against the barcode tray label. Address quality is checked using the Address Management Systems database. MERLIN processes 6,000 letters and 4,000 flats per hour, at sizes up to 15"x15" and weights up to 16 oz.

MERLIN will undergo rigorous field testing and evaluation before its national rollout next year. ■

PC POSTAGE

continued from page 1

ment. The software verifies address information and deducts the postage amount from the customer’s account. The indicia will be used only on domestic First-Class Mail, Priority Mail, Express Mail and parcels.

Says Gordon, “Providing electronic access to postage reflects the Postal Service’s response to technology trends and its commitment to reach postal customers where they are and how they work — in their

homes and offices using personal computers and the Internet. In essence, PC Postage products bring the post office to postal customers.”

PC Postage products are currently being tested by four companies — Pitney Bowes, NeoPost, Stamps.com and E-Stamp — in specific ZIP Codes in the Washington, DC, area and in California. For more information, see the USPS Web site at www.usps.com/ibip. ■

Celebrate the Century Express

Summer Schedule

July 16–18	Portland, OR	Aug 18–19	San Francisco, CA
July 23–25	Dunsmuir, CA	Sep 4–6	Grand Junction, CO
July 29–Aug 2	Sacramento, CA	Sep 10–12	Denver, CO
Aug 6–8	Santa Rosa, CA	Sep 17–19	Lincoln, NE
Aug 14–15	Gilroy, CA	Sep 24–26	Galesburg, IL

PUSHING the **SMART** **ENVELOPE**

Will the mail become so "smart" that it can "talk" to you? That's the possibility outlined in a study by the Postal Service and the Envelope Manufacturers Association (EMA) on the future of paper-based communications.

The report explains the concept of an "intelligent document" mailers can use to initiate an electronic transaction, confirm delivery and track the mailpiece from mailbox to delivery, essentially enabling the letter to "talk" to the customer as it travels through the mailstream.

"We welcome new technologies in envelope manufacturing that support an information-rich mailstream and help us provide better service at a lower cost to our customers," says Norm Lorentz, senior vice president and chief technology officer.

The study follows a four-month review of the research and development of intelligent document technology by five corporations and one university.

"We found that the outside of an envelope can often convey as much information as the internal content and with further development can serve as a bridge between paper-based commerce and electronic commerce," says Scott Mitchell, chairman of the EMA Foundation for Education and Research.

The study and development of technologies that interface between paper-based transactions and electronic transactions

is not new to the Postal Service. The Postal Service is the world's largest investor in optical character reader technology, has developed mail processing equipment that sorts letters using barcodes and is currently encouraging the development of "information-based" postage meter indicia. The Postal Service is aggressively pursuing several initiatives to enable postal customers to track their mail as it moves through the mailstream.

In addition to the EMA Foundation and the Postal Service, the study was conducted in cooperation with E-Stamp, Pitney Bowes, Bell & Howell, Xerox and the Massachusetts Institute of Technology.

The technology is part of a three-point information platform outlined by Lorentz. "The Postal Service must move from the age of automation to the age of information," he says. All postal information systems will be linked to an "electronic warehouse" to provide an information-rich mailstream.

This information-rich, customer-focused database will allow customers to track their mail, enable the Postal Service to better forecast mail flow and volume and adjust staffing accordingly, and enable an activity-based accounting system that will measure real costs for each class of mail as it moves through processing and delivery functions. ■

PARTNERSHIP touts power of print in **ADVERTISING**



**"We say it in
print every
week. We
depend on
print media
to drive
traffic into
our stores."**

Thomas Lemke
Vice President
Database Marketing
Kmart Corp.

The Postal Service has joined with the National Newspaper Association (NNA) and the American Forestry and Paper Association (AFPA) to launch a nationwide "Say It in Print" awareness campaign to show the combined power of newspaper advertising and direct mail.

"This is a revitalized alliance between two industries that recognize that we can accomplish more by working together than by working alone," Postmaster General William Henderson said at the press conference announcing the program. "For years, I have been a strong advocate of blending direct mail and newspaper advertising to help target and reach customers."

Joining Henderson at the press conference were Lockwood Phillips, president of the NNA; W. Henson Moore, president and chief executive

officer of the AFPA; and Thomas Lemke, vice president, Database Marketing, Kmart Corp.

The blend of newspaper advertising to reach a broad audience with direct mail advertising to target audience segments is more effective than two standalone campaigns. "The most efficient use of ad dollars is the combination of newspaper advertising and direct mail," noted Henderson.

Direct mail and newspaper advertising are integral parts of Kmart's advertising program. "We say it in print every week," Lemke said. "We depend on print media to drive traffic into our stores."

Thirty thousand letters were mailed to advertising decision-makers, and a four-part ad campaign has been offered to 3,500 NNA newspapers designed to show the power that the printed word holds. ■

KMART PRAISES POSTAL SERVICE

Floyd Hall

Chairman, President and
Chief Executive Officer



May 17, 1999

Mr. William Henderson
Postmaster General and CEO
United States Postal Service

On behalf of the Kmart Corporation, I wanted to personally thank you for all of the help that your team of Postal Service employees has provided Kmart. Direct Mail is an integral part of our Kmart advertising program and has been instrumental in our turnaround efforts. We continue to use mail to drive incremental customers to our stores — especially our new BigK and SuperK stores.

The timely delivery of our mail is critical to Kmart since we execute weekly sale promotions. We have challenged you to deliver our mail within a three-day window so our customers receive the mail just prior to the start of our weekly promotion each Sunday.

During the past year, your postal team has delivered this mail on time an incredible 99.9 percent of the time. This is a tremendous accomplishment and one that we know has helped to improve our business. You are to be congratulated for achieving this almost perfect record!

We applaud your accomplishments and are proud to have you as our direct mail partner. As we look to the next millennium, we expect Direct Mail to continue to be a major part of our advertising and promotional efforts and look forward to our growing partnership with the United States Postal Service.

A handwritten signature of Floyd Hall in dark ink.

Floyd Hall
Chairman and CEO

GROUND PARCELS GROWTH FORECAST

John Kelly, vice president of Expedited/Package Services, said he expects to see a 15 to 20 percent growth in ground parcel deliveries next year. Kelly made the remarks at a Mailers Technical Advisory Committee (MTAC) meeting.

Kelly said that he expects to see the change once the consolidator industry begins growing, thanks to the discounts for drop shipping parcels implemented in the last rate case.

Postal Rate Commission Chairman Ed Gleiman noted that the Postal Service should have a competitive price advantage in the commercial and residential parcel delivery market because of its economies of scale.

The consolidator industry is also warming up to Parcel Select, the Postal Service's new ground package product. According to Larry Wood, manager, Operations Planning for Expedited/Package Services, Parcel Select will see "slow but very steady growth as the shipping industry begins to discover the 'bang for the buck' only Parcel Select can deliver."

Wood noted that Paxis, a company recently formed by Lockheed Martin Postal Systems and GATX Logistics, will provide a "cost-effective system for shippers to deliver parcels using the Postal Service for residential delivery. As the consolidator industry grows, we intend to grow right along with them."

EXPRESS MAIL LEADS IN ENVIRONMENTAL PACKAGING

A report prepared by the Alliance for Environmental Innovation comparing the environmental performance of the five major overnight shipping companies concluded that the Postal Service's Express Mail leads the industry by using a paperboard envelope that is 100 percent recyclable with a minimum of 80 percent postconsumer fiber.

In light of this report, Fran McPoland, federal environmental executive for the Clinton administration, has requested that in all future competitions for overnight services in the federal government, environmental considerations be a selection factor.

MERCHANDISE RETURN TESTING BEGUN

The Postal Service has begun testing Merchandise Return with Delivery Confirmation service to determine the regulations that will allow mailers to combine Delivery Confirmation with a merchandise return service for Priority Mail, Standard B Mail and Parcel Post.

The service will allow customers to return unwanted merchandise at no cost. Mailers will pay a 30-cent fee, plus postage.

Initial merchandise returns will be sent to the Postage Due Units in Fort Worth, TX, and Boynton Beach, FL. Additional mailers and destination sites will be selected in late June. If testing proves successful, the service will be expanded nationwide.

During the test period, mailers will print the Delivery Confirmation service barcode directly on the merchandise return service label. All fees associated with these mailpieces will be collected at the Postage Due Unit identified on the mailing label.

NET AUCTION SITE LINKS WITH USPS

The USPS Web site can now be accessed from the popular online auction site eBay. Through links to USPS.com, eBay customers can order supplies, track and confirm delivery and calculate service rates.

eBay has more than 6 million monthly visitors, who conduct 70,000 transactions daily. Currently, 85 percent of eBay sellers report being extremely likely to ship their packages with the Postal Service.

"We're rapidly becoming the gateway to the household," said John Kelly, vice president, Expedited/Package Services. "We're the perfect match for eBay be-

cause we're the only carrier that delivers to every man, woman and child in the country."

FREE MAIL LIST CLEANING ON NET

MAILnet Services, a data processing company in Nashville, TN, is offering a free mail list cleaning service on the World Wide Web. The CASS standardization service is free for up to 50,000 records and can be accessed as often as needed. MAILnet also offers low-cost change-of-address and forwarding services. Interested mailers can check MAILnet's Web site at www.listcleanup.com.

E-MAIL RUMOR COMPLETELY UNTRUE

A completely false rumor concerning the Postal Service is being circulated on Internet e-mail. The e-mail message claims that a "Congressman Schnell" has introduced "Bill 602P" to allow the federal government to impose a 5-cent surcharge on each e-mail message delivered over the Internet. The money would be collected by Internet service providers and then turned over to the Postal Service.

No such proposed legislation exists. In fact, no "Congressman Schnell" exists. The U.S. Postal Service has no authority to surcharge e-mail messages sent over the Internet, nor would it support such legislation.

FINAL RULING

The final rules on package reallocation and a new labeling list (L001) will take effect on July 29. The rules will give mailers options for sorting and preparing flats on pallets. "Labeling list L001 will enable mailers to better match their mail preparation with our mail processing," says Barry Elliott, operations specialist. Using the L001

scheme sort list will allow five-digit packages of flats destined for the same delivery unit to be combined on one pallet.

Package reallocation is intended to improve the delivery consistency of an overall mailing by reducing the amount of residual mail. "It allows some mail from higher-density pallets to be reallocated and combined with mail from lower-density pallets to retain more mail at the SCF level," Elliott explains. "Results will vary depending on the size and density of a mailing, and mailers may choose to use one, both or none of these options."

PROPOSAL ON STRINGS, RUBBER BANDS WITHDRAWN

The Postal Service has withdrawn its proposal to ban string and rubber bands used to secure flat-sized Periodicals and Standard A Mail on pallets, pending additional research. A notice on the withdrawal will appear in the Federal Register. The concerns expressed by mailers are being looked at and a new proposal will be considered.

NEW RATE FILINGS

The Postal Service Board of Governors approved withdrawal of a Mailing Online experiment pending at the Postal Rate Commission (PRC). The move reflects a business decision to consolidate postal Internet services through the existing Postal Service Web site — usps.com — rather than through multiple sites.

The Mailing Online system, which allows customers to create electronic mail pieces that are converted to hard copy for delivery by the Postal Service, is currently in market test with select customers.

Board Chairman Einar

Dyhrkopp noted, "The market test will continue and the Postal Service will submit a new filing."

Under the existing regulatory framework, the current PRC filing cannot be updated as needed. A new Mailing Online filing is expected by summer.

In other action, the Board voted to approve a filing to revise the product definition of Bulk Parcel Return Service (BPRS). Mailers have requested a means for customers to return opened parcels, including the use of a BPRS Return Label that would have a barcode, the original mailer's return address and the BPRS endorsement.

NEW DROP SHIP APPOINTMENT SYSTEM AVAILABLE ON THE NET

The National Customer Support Center in Memphis is working on a new Drop Ship Appointment system (DSAS) that will be available to mailers on the Internet, allowing easier access to reports. Bulk Mail Centers will begin rolling out the new DSAS system this summer. The old system will be fully replaced by the end of the year.



Einar Dyhrkopp

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Address Service Requested

JAPANESE CREDIT CARD

accepted at POST OFFICES



Worldwide customers of JCB International Co., LTD., will now be able to use their JCB credit cards for purchases at U. S. post offices. Japan-based JCB is the fourth-largest credit card company in the world, with 39.5 million card members and accep-

tance in 167 countries worldwide. JCB is the first non-U.S.-based credit card to be accepted by the Postal Service.

"This business partnership marks a milestone for the Postal Service by adding an international dimension to our credit card acceptance program," said Treasurer Stephen M. Kearney. "We are pleased to be able to welcome JCB as one of our partners, and we are also pleased to welcome those in the international community who travel with the JCB card."

Acceptance of the JCB card will begin in California and New York in late June and will be

phased in across the United States over a six-month period. All 33,000 card-accepting post offices will be able to accept JCB by November 1999.

The importance of this agreement was underscored by Atsushi Niimura, deputy president of JCB International, who traveled from Tokyo to be present for the announcement of the new partnership. International agreements such as this are important steps in the Postal Service's overall global e-commerce strategy, according to Niimura.

"The success of our e-commerce goals depends on leveraging the strategic relationships we have formed with our business partners," Kearney said. "JCB is one of a growing list of companies that are interested in developing expanded partnerships with the Postal Service as it increases its role in the field of electronic commerce." ■



Joining in the traditional sake ceremony at the signing of the agreement were (l-r) Stephen Kearney, treasurer; Atsushi Niimura, deputy president, JCB International; M. Richard Porras, senior vice president and chief financial officer, and Dwane Krumme, general manager, JCB International.